

Message Text

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44

ACTION ARA-20

INFO OCT-01 ISO-00 SSO-00 NSCE-00 INRE-00 SP-03 AID-20

EB-11 NSC-07 RSC-01 CIEP-03 TRSE-00 SS-20 STR-08

OMB-01 CEA-02 CIAE-00 INR-11 NSAE-00 COME-00 AGR-20

L-03 H-03 DRC-01 /135 W

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O R 241737Z AUG 74

FM AMEMBASSY PANAMA

TO SECSTATE WASHDC IMMEDIATE 1600

INFO AMEMBASSY SAN JOSE

AMEMBASSY TEGUCIGALPA

AMEMBASSY QUITO

CONFIDENTIAL PANAMA 4947

FOR BOWDLER FROM AMBASSADOR

E.O. 11652: GDS

TAGS: ETRD, PN

SUBJECT: BANANA TAX DISPUTE

REF: A) STATE 186637; B) PANAMA 4945; C) JORDEN-BOWDLER TELECON(2)

1. THIS IS TO CONFIRM OUR CONVERSATION VIA SECURE PHONE AFTER THAT COVERED IN REF A. AS I SAID, WE PLANNED TO CONTACT BOTH COMPANY AND GOVERNMENT SOURCES TO GET A BETTER FIX ON LATEST MEETINGS. DISCUSSION WITH PACIFIC DIVISION MANAGER HEYL WAS COVERED IN REF. B.

2. MINISTER MANFREDO WAS OUT OF TOWN (IN COSTA RICA) AND I TALKED WITH VICE MINISTER JULIETA FABREGA DE LORENZO WHO PARTICIPATED IN SESSIONS WITH TAYLOR AND HEYL. HER DESCRIPTION CONFIRMED IMPRESSION WE HAD FROM HEYL THAT MEETING WAS RATHER TENSE AND NOT TOO PRODUCTIVE. PANAMANIAN SIDE HAD LISTED NUMBER OF THINGS THAT "HAD TO BE DONE" BY COMPANY AND NICE MIN LISTED SOME OF THOSE OBLIGATIONS COVERED IN PARA. 1 OF REF B. SHE SAID TAYLOR HAD ASKED FOR THAT LIST IN WRITING AND PANAMANIANS PROMISED TO PROVIDE IT.

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3. MOST INTERESTING ASPECT OF FABREGA'S ACCOUNT, HOWEVER, WAS MATTER NOT EVEN MENTIONED TO US BY HEYL. SHE SAID PANAMANIAN OFFICIALS HAD NOTED THAT ONE OF THEIR PROBLEMS WAS THAT IT WAS NOT CLEAR TO THEM PRECISELY WHAT COMPANY'S POSITION WAS. UNITED SAID ONE THING IN TALKS HERE AND IT WAS THEN REPUDIATED BY COMPANY OFFICIALS IN BOSTON. THEY ASKED TAYLOR TO GIVE THEM A DOCUMENT IN WHICH COMPANY POSITION WAS SPELLED OUT "IN BLACK AND WHITE." TAYLOR REPLIED THAT HE WOULD GO TO U.S. AND PREPARE SUCH A DOCUMENT. HE ALLEGEDLY SAID IT WOULD TAKE "NOT MORE THAN THREE OR FOUR DAYS." SO THAT THERE WOULD BE NO MISUNDERSTANDING, HE IS REPORTED BY FABREGA TO HAVE SAID THAT HE WOULD GET LETTER SIGNED BY MR. BLACK OF UNITED.

4. FABREGA SAID PANAMA WAS NOW WAITING FOR THAT DOCUMENT FROM UNITED. SHE INDICATED NO ACTION WOULD BE TAKEN UNTIL IT WAS IN HAND, ASSUMING THAT UNITED MET DEADLINE OF A FEW DAYS. BUT SHE SAID THAT PANAMANIAN SIDE HAD STRESSED TO TAYLOR AND HEYL THAT "PATIENCE WAS GROWING SHORT" HERE.

5. ANOTHER LATE DEVELOPMENT, NOTED IN TELCON, WAS SPEECH BY GENERAL TORRIJOS AT FINAL SESSION OF FAO. IN COURSE OF QUESTION-AND-ANSWER SESSION AFTER HIS REMARKS, GENERAL TOLD INTERROGATOR THAT HE WAS "FAIRLY SURE" THAT PANAMA WAS GOING TO "ACQUIRE" THE BANANA COMPANIES. HE ADDED THAT PANAMA WAS GOING TO SHOW COMPANIES THAT IT HAS "THE CAPABILITY, FLEXIBILITY AND TALENT TO UNDERTAKE THE JOB OF MARKETING, POSSIBLY WITH MUCH MORE EFFICIENCY THAN NOW." HE SAID HE KNEW PEOPLE WOULD NOT "PERMIT US TO RETREAT" AND THAT THEY WERE PREPARED TO PAY THE SOCIAL COST INVOLVED.

6. COMMENT: OUR IMPRESSION IS THAT THINGS ARE MOVING QUICKLY TO A HEAD IN THE "BANANA WAR." TONE OF TORRIJOS REMARKS POINTS CLEARLY TO SOME FORM OF TAKEOVER, PERHAPS TOTAL NATIONALIZATION. IT IS POSSIBLE THAT A REALLY FORTHCOMING OFFER IN WRITING BY THE COMPANY COULD FORESTALL THIS SOMEWHAT, BUT CLEARLY IT WOULD HAVE TO GO FARther THAN ANYTHING UNITED HAS BEEN WILLING TO PROPOSE THUS FAR. HEYL WAS HOPING TO SEE MINISTER BARLETTA TODAY AND THAT MAY PROVIDE SOME FLEXIBILITY TO THE NEGOTIATIONS. BUT PROPOSAL FROM BLACK WILL BE THE KEY. AS FOR CALL FROM GONZALEZ-REVILLA, WE READ IT AS AN EFFORT TO FOREWARN U.S. OF POSSIBLY CONFIDENTIAL

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DRASTIC ACTION BY HIS GOVERNMENT AND ALSO NOT TOO SUBTLE ATTEMPT TO GET U.S. TO PUT PRESSURE ON COMPANY FOR CONCESSIONS. WE MUCH APPRECIATED STRONG REBUFF OF HIS EFFORTS TO UNDERCUT AMBASSADOR AND MISSION HERE.
JORDEN

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Message Attributes

Automatic Decaptoning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: TAX LAW, CUSTOMS DUTIES, BUSINESSMEN, DISPUTES, NATIONALIZATION, BANANAS, MEETINGS, CENTRAL GOVERNMENT, NEGOTIATIONS
Control Number: n/a
Copy: SINGLE
Draft Date: 24 AUG 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: boyleja
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974PANAMA04947
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D740234-1053
From: PANAMA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740820/aaaaaqri.tel
Line Count: 112
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION ARA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: A) STATE 186637; B) PANAMA 4945; C), JORDEN-BOWDLER TELECON(2)
Review Action: RELEASED, APPROVED
Review Authority: boyleja
Review Comment: n/a
Review Content Flags:
Review Date: 29 APR 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <29 APR 2002 by boyleja>; APPROVED <04 MAR 2003 by boyleja>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: BANANA TAX DISPUTE
TAGS: ETRD, PN, US, UNITED BRANDS
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005